

Members

Sen. Luke Kenley, Chairperson  
Sen. Brandt Hershman  
Sen. John Broden  
Rep. Peggy Welch  
Rep. Eric Turner

Advisors

Sen. Robert Meeks  
Sen. Lindel Hume  
Rep. William Crawford  
Rep. Jeffrey Espich  
John Grew  
Steven Johnson  
Katrina Hall

LSA Staff:

Diane Powers, Fiscal Analyst for the Commission  
George Angelone, Attorney for the Commission

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# COMMISSION ON STATE TAX AND FINANCING POLICY

*Legislative Services Agency*  
200 West Washington Street, Suite 301  
Indianapolis, Indiana 46204-2789  
Tel: (317) 233-0696 Fax: (317) 232-2554

## MEETING MINUTES<sup>1</sup>

**Meeting Date:** October 15, 2007  
**Meeting Time:** 1:00 P.M.  
**Meeting Place:** State House, 200 W. Washington St.,  
Room 404  
**Meeting City:** Indianapolis, Indiana  
**Meeting Number:** 7

**Members Present:** Sen. Luke Kenley, Chairperson; Sen. Brandt Hershman; Sen. John Broden; Rep. Peggy Welch; Rep. Eric Turner; Sen. Robert Meeks; Sen. Lindel Hume; Rep. William Crawford; Rep. Jeffrey Espich; John Grew; Steven Johnson; Katrina Hall.

**Members Absent:** None.

### I. Call to Order.

Sen. Luke Kenley, Chairperson, called the meeting to order at 1:10 P.M. Sen. Kenley then noted distribution of the following items to the Commission:

- Testimony submitted to the Commission's website [propertytaxreform.in.gov](http://propertytaxreform.in.gov) (Exhibit A).
- Testimony forwarded to the Commission from the Indiana Commission on Local Government Reform (Exhibit B).
- A report prepared by the Legislative Services Agency (LSA) concerning potential circuit breaker tax credits under HEA 1001-2007 and HEA 1478-2007 (Exhibit C).
- A quick reference chart of Property Tax deductions prepared by the Department of Local Government Finance (DLGF) (Exhibit D).

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<sup>1</sup> Exhibits and other materials referenced in these minutes can be inspected and copied in the Legislative Information Center in Room 230 of the State House in Indianapolis, Indiana. Requests for copies may be mailed to the Legislative Information Center, Legislative Services Agency, 200 West Washington Street, Indianapolis, IN 46204-2789. A fee of \$0.15 per page and mailing costs will be charged for copies. These minutes are also available on the Internet at the General Assembly homepage. The URL address of the General Assembly homepage is <http://www.in.gov/legislative/>. No fee is charged for viewing, downloading, or printing minutes from the Internet.

## II. Discussion of Controls on Property Taxes.

Sen. Kenley introduced George Angelone, Deputy Director of the Office of Bill Drafting and Research (OBDAR) of the LSA, to discuss current statutory controls on property taxes. Mr. Angelone distributed a slide presentation outlining these controls (Exhibit E). The Commission discussed the following issues with Mr. Angelone concerning his presentation:

- levy banking, and its use by local units of government;
- the rate of growth of cumulative funds over the last 10 years;
- annual levy limits versus the rate of growth in revenue sources for local units;
- the percentage of revenue for local units which come from property taxes; and
- the number and frequency of levy appeals by local units.

## III. Discussion of Debt Issuance.

Sen. Kenley noted distribution to the Commission of a report prepared by the LSA showing the 2007 estimated gross property tax levies in each county (Exhibit F). He then opened the meeting for discussion by the Commission.

Sen. Kenley noted that 30% of the gross levy is comprised of debt service and capital projects. He noted that this number may indicate a need to look at the structure of public debt and its uses.

Rep. Bill Crawford stated a need for greater clarification on the Indiana constitutional limit on public debt. He noted that it seems that many entities of government are greatly exceeding the 2% constitutional limitation.

Sen. Robert Meeks stated that he believed there was a link between the counties with higher population growth and the counties with a higher percentage of their gross levy committed to debt service and capital projects.

Sen. Kenley then introduced Jim Merten of City Securities, to testify before the Commission concerning property tax changes and their impact on debt currently secured by property taxes.

Mr. Merten discussed the following topics with the Commission:

- the stability of property tax revenue versus other tax revenue;
- impairment of contracts concerns with regard to outstanding bonds;
- recent decisions by the Florida Supreme Court regarding voter approval of debt and the impact on bond ratings in Florida;
- using rainy day funds, or larger operating balances to secure debt;
- the current bond rating for various units of state and local government;
- other state approaches to securing public debt;
- the impact of the current property tax circuit breaker on bond ratings;
- the appropriate level of debt to assessed value ratio;
- reasons to restructure outstanding debt;
- borrowing by local units due to payment delays and delays in issuing property tax bills;
- and
- the impact of school consolidation on property taxes.

Sen. Kenley recognized Mark Dobson, Vice President, St. Joseph County Board of Commissioners to testify on the issue of public debt and property taxes. Mr. Dobson testified that the Indiana Association of County Commissioners (IACC) was in favor of the capital project control boards that were recently created, but the Commissioners would like to see the

structure of the boards change. He testified that the IACC would like the County Councils to be the capital project control board members, and therefore all bonds would go through the County Councils.

#### IV. Discussion of Circuit Breakers.

Mr. Dobson was then permitted to testify on the issue of circuit breakers. He testified that the IACC is in favor of the circuit breaker, but wants to see changes in the implementation. Mr. Dobson said the IACC wants the state to assume the child welfare levies to reduce the impact of the circuit breaker on locals. He testified that the IACC would also like the state to pick up juvenile detention costs. Mr. Dobson testified that the IACC felt they could work with schools to get more fiscal responsibility at the local level rather than state assumption of school general fund levies. Mr. Dobson discussed the following issues with the Commission:

- St. Joseph County's preference to leverage revenue from tourism in their county to relieve property taxes;
- the large not-for-profit presence which makes St. Joseph County unique; and
- the need to examine county spending, county debt; and county assessed value per capita.

Sen. Kenley recognized Neil Wingate, Lake County resident, to testify. Mr. Wingate submitted his testimony in writing (Exhibit G).

Aaron Smith from Watchdog Indiana was recognized to testify next. Mr. Smith discussed Watchdog's plan to change the property tax system. He asked that the 2% circuit breaker include school general fund levies.

#### V. Discussion of Exemptions for Seniors, Disabled, Second Homes.

Sen. Kenley introduced Mike Rodman, Marion County Treasurer, to testify on providing property tax relief for senior citizens.

Mr. Rodman discussed the following issues with the Commission:

- issues facing seniors on fixed incomes;
- tax breaks for limited income seniors;
- proposing taxes be no higher than social security benefits;
- enacting assessed value limits for seniors; and
- freezing seniors property taxes.

Bill Borne, Adams County Auditor was recognized to testify. Mr. Borne presented a handout to the Commission illustrating where property taxes go in Adams County (Exhibit H).

Mary Ann Beard, Rush County Treasurer, was recognized to testify. Ms. Bear testified before the Commission on the hardships facing seniors due to property taxes.

Sen. Kenley then allowed Neil Handley to testify concerning changes to the property tax system. Mr. Handley advocated for eliminating the current property tax, and replacing it with a user fee to be charged for the use of essential services. He proposed that the user fee should be based on a multiplier to be applied to the square footage of the user's residence.

Aaron Smith from Watchdog Indiana was again recognized to testify. Mr. Smith advocated for adoption of the plan proposed in HB 1374-2004 which would have allowed deferral of property tax payments until the sale of the property for taxpayers who met certain income, net worth, and

either age or disability requirements.

Two residents of Butler Tarkington were recognized to testify on the impact of property taxes on seniors. The following topics were discussed between these citizens and the Commission:

- reverse mortgage options for seniors;
- the willingness for seniors to pay their fair share;
- foreclosures for other reasons versus forced sales or moves due to property taxes;
- income thresholds that might be considered in proposals to help seniors; and
- other state approaches to this issue.

VI. Other Business and Adjournment.

Sen. Kenley thanked the Commission for their work, and adjourned the meeting at 3:45 P.M.